

Message Text

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PAGE 01 EC BRU 03868 301709Z

72

ACTION EUR-12

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SUBJECT: ENERGY AND RAW MATERIALS, MORE EC REACTION TO THE PARIS
PREPCON

REF: EC BRUSSELS 3576

1. BEGIN SUMMARY: WELLENSTEIN, WHO REPRESENTED THE EC
COMMISSION AT THE PARIS PREPCON, SAYS THE COMMISSION HAS
AGREED THAT ITS NEXT STEP BE A SERIES OF INTENSIVE
INFORMAL BILATERAL CONTACTS WITH OPEC AND OTHER LDCS ON
BOTH SUBSTANCE AND PROCEDURE. THESE CONTACTS WILL PERMIT
FRANK EXCHANGES ON SENSITIVE ISSUES WHICH ARE PER FORCE
LIMITED TO POLEMICS IN MULTILATERAL FORA. WELLENSTEIN'
BELIEVES THE LDC FRONT CANNOT BE SPLIT. THE COMMISSION'S
THINKING ON HOW TO HANDLE COMMODITIES AND RAW MATERIALS
IN GENERAL WAS STILL IN THE FORMULATION STAGE BUT
WELLENSTEIN BELIEVED THE COMMISSION IS TENDING TOWARDS:
BROADENING STABEX, PERHAPS MAKING IT WORLDWIDE;
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PAGE 02 EC BRU 03868 301709Z

COMMODITY AGREEMENTS FOR MAJOR FOODSTUFFS AS IN THE

MTN MANDATE; AND REFERENCE TO INTERNATIONAL COMMODITY AGREEMENTS FOR TROPICAL PRODUCTS PLUS AT LEAST TIN IN THE MINERALS SECTOR. WHILE HE CONFIRMED THAT THE COMMISSION DID NOT FAVOR INDEXATION, HE THOUGHT THERE WOULD HAVE TO BE PRICE STABILIZATION FOR SOME KEY COMMODITIES. END SUMMARY.

2. WELLENSTEIN, EC COMMISSION DIRECTOR GENERAL FOR EXTERNAL RELATIONS AND COMMISSION REPRESENTATIVE AT THE PARIS PREPCON, TOLD US AN APRIL 29 THAT THE COMMISSION'S VIEWS WERE NOT FULLY SORTED OUT ON NEXT STEPS REGARDING ENERGY AND BROADER COMMODITY QUESTIONS. THE COMMISSION HAD ACCEPTED THE PROPOSITION THAT EXTENSIVE EXPLORATORY DISCUSSIONS WITH THE LDCS ON BOTH PROCEDURE AND SUBSTANCE SHOULD NOW TAKE PLACE INFORMALLY. HE NOTED THAT CASPARI, COMMISSION DEPUTY DIRECTOR GENERAL FOR EXTERNAL RELATIONS, WHO ACCOMPANIED COMMISSION PRESIDENT ORTOLI TO INDIA THE WEEK OF APRIL 21 HAD TALKED TO THE INDIANS ON THESE MATTERS. COMMISSION VICE PRESIDENT SOAMES' STOP IN IRAN ON HIS WAY BACK FROM CHINA WILL PROVIDE ANOTHER FORUM. OTHER CONTACTS WOULD TAKE PLACE IN BRUSSELS, IN GENEVA, OR WHEREVER OPPORTUNITIES AROSE. WELLENSTEIN CONSIDERS IT PARTICULARLY IMPORTANT TO HAVE SERIOUS TALKS WITH THOSE LIKE THE INDIANS WHO STAYED IN THE BACKGROUND AT THE PREPCON.

3. IN INFORMAL, BILATERAL EXCHANGES, WELLENSTEIN SAID, SENSITIVE ISSUES, LIKE THE PRICE OF OIL AND STABILIZATION OF EARNINGS AND PRICES CAN BE EXPLORED. IN FORMAL MEETINGS LIKE THE PARIS PREPCON, THESE ISSUES PRODUCE ONLY RIGIDITY AND POLEMICS. IN PARTICULAR HE THOUGHT THE NON-OPEC LDCS, MANY OF WHOM GET SUBSTANTIAL FINANCIAL ASSISTANCE FROM THE PRODUCERS, COULD BEST BE APPROACHED BILATERALLY.

4. BECAUSE OF THE VOLUME OF FINANCIAL ASSISTANCE FROM THE PRODUCERS TO THE OTHER LDCS, AS WELL AS BECAUSE OF POLITICS OF LDC SOLIDARITY, WELLENSTEIN SEES NO CHANCE OF SPLITTING THE LDC FRONT. IN HIS VIEW PART

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PAGE 03 EC BRU 03868 301709Z

OF THE US STRATEGY GOING BACK TO THE WASHINGTON ENERGY CONFERENCE--TO DRIVE A WEDGE BETWEEN OPEC AND THE OTHER LDCS--HAD BEEN PROVEN IMPRACTICAL.

5. WELLENSTEIN BELIEVES THAT ONCE EXTREME FORMULATIONS ARE STRIPPED AWAY, OPEC COUNTRIES HAVE SOME LEGITIMATE ISSUES AND THAT WAYS MUST BE FOUND TO DEAL WITH THESE. WHILE IT IS UNREALISTIC TO TALK OF

GUARANTEES FOR MAINTENANCE OF THE REAL VALUE OF FINANCIAL ASSETS, FOR EXAMPLE, THERE IS A NEED TO DISCUSS INVESTMENT POSSIBILITIES IN THE WEST AND HOW TO MAKE THEM ATTRACTIVE.

6. WELLENSTEIN SAID THE COMMISSION WILL, IN ANY CASE, HAVE TO TAKE A POSITION SOON ON THE RAW MATERIALS AND COMMODITIES QUESTION AND STAFF WORK IS NOW IN PROGRESS. THE SUBJECT IS ALSO BEING DISCUSSED IN THE COMMITTEE OF PERMANENT REPRESENTATIVES. HE HOPED THE COMMISSION WOULD BE ABLE TO CONSIDER THE MATTER ON MAY 21. THIS WOULD ENABLE IT TO PLAY A CONSTRUCTIVE ROLE AT THE IEA AND OECD MINISTERIAL MEETINGS AND WOULD MAKE FOR A MORE USEFUL EXCHANGE AT THE US-EC CONSULTATION IN BRUSSELS MAY 29-31. (SEPTEL REPORTS ON STATUS OF EC STAFF PREPARATIONS IN MORE DETAIL).

7. WELLENSTEIN THOUGHT THE COMMISSION WAS TENDING TOWARD AN APPROACH ALONG THE FOLLOWING LINES: BROADER USE OF STABEX, PERHAPS MAKING IT A "WORLDWIDE AGREEMENT"; REITERATION OF THE EC'S WELL-KNOWN POSITION ON COMMODITY AGREEMENTS FOR MAJOR FOODSTUFFS AS SPELLED OUT IN THE MFN NEGOTIATING GUIDELINES; REFERENCE TO THE EXISTING OR PLANNED INTERNATIONAL COMMODITY AGREEMENTS FOR TROPICAL PRODUCTS SUCH AS COFFEE, PLUS AT LEAST TIN IN THE MINERALS SECTOR.

8. WELLENSTEIN CONFIRMED THAT THE COMMISSION WOULD NOT FAVOR "INDEXATION," BUT HE MADE A PLEA FOR US UNDERSTANDING AND COOPERATION ON THE NEED TO STABILIZE PRICES FOR SOME KEY COMMODITIES. WE NOTED THAT THE FOODSTUFFS IDENTIFIED BY THE COMMUNITY AS CANDIDATES LIMITED OFFICIAL USE

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PAGE 04 EC BRU 03868 301709Z

FOR COMMODITY AGREEMENTS COULD BE SEEN BY THE LDCS TO BE SELF-SERVING. WITH THE EXCEPTION OF RICE, THESE WERE ALL TEMPERATE FOODSTUFFS. WELLENSTEIN REJOINED THAT PRICE STABILIZATION WORKED IN BOTH DIRECTIONS AND THAT COUNTRIES LIKE INDIA OUGHT TO SEE ADVANTAGES IN HAVING A CEILING PLACED ON THE FUTURE WORLD PRICE OF WHEAT.

9. WELLENSTEIN NOTED THAT WHILE MUCH OF THE STEAM HAD NOW GONE OUT OF THE HIGH LEVEL GROUP ESTABLISHED BY THE DUBLIN SUMMIT. TO PREPARE FOR THE ENERGY CONFERENCE THE GROUP WOULD PROBABLY MEET AT SOME POINT TO COMPARE NOTES ON THE PREPCON. GREENWALD

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